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Chief, Manufacturing Sectors Branch, D/I

Submission of Project 30.2043.

1. I feel that 30.2043 is one of the most significant projects that the Division has ever completed on the machine building industry of a Bloc country. Its thoroughness fills a long standing gap in our responsibilities regarding Communist China. The completion of the project will very substantially reduce the research time that will be necessary for completing our forthcoming NIE and NIS responsibilities.

2. More important, however, is the very penetrating analysis of Communist China's attempt to industrialize following the outlines of a Soviet development model and China's subsequent modification of these policies. The report gives due recognition to China's progress in developing a machine building industry. At the same time it searchingly reviews China's errors in planning and execution. The modifications that China has introduced into her industrialization program in some ways shows increased flexibility and the willingness to experiment. At the same time the problems inherent in modifying the program for industrialization contain the seeds for increased dissension, both internally and in her relations with the USSR. The report should receive wide interest in the intelligence community.

3. In addition, as the economic problems under discussion have a significant ~~and on~~ on the prestige of the USSR and Communist China vis-a-vis underdeveloped countries in Asia, this report has considerable political warfare potential. The publication of an unclassified summarization of pertinent parts of this report for dissemination outside the intelligence community should be considered.

4. In its present draft form the report appears excessively bulky. This is partly due to the source references being incorporated into the text. While the detailed documentation is desirable in our branch draft, most of the source references can be eliminated in view of the recent instructions given in ERA Procedures Number 5. The draft also includes many long plant lists which need not be published with the report. We should consider publishing these listings separately as a research aid. Both the Air Force and the Army have long supported conflicting plant lists. We feel that the listings prepared for this report are much more complete and

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accurate than anything previously done. To further speed publication we have gone through the report and selected a number of subsections where the text can be easily condensed without sacrificing substance. To mention two, III. B. 3, Geographic Distribution of Plants, and III D. 2, Actual Product Mix. However, we will await your opinion on this matter.

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